

BILL # HB 2635

TITLE: unified school districts; budgets

SPONSOR: Carruthers

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

The bill would change the formula for computing the weighted student count of a unified school district where all of the common schools in the district were eligible for a “small school weight” prior to unification.

Estimated Impact

The bill will increase K-12 Basic State Aid costs if any small elementary school districts with growing enrollments decide to unify in the future. The JLBC Staff cannot determine the cost impact with certainty as it will depend on the number of unifications.

We understand that the bill would create an incentive for the formation of a new “Antelope Unified” school district. If this unification occurs, the small school weight cost will be about \$25,000 greater than under current law. To the extent that HB 2635 creates an incentive for Antelope Union’s unification, the bill would have the indirect impact of increasing the state’s cost under existing unification statutes by \$598,500 in FY 2006.

The Arizona Department of Education (ADE) does not have a fiscal impact estimate for the bill.

Analysis

The bill could affect Basic State Aid costs in FY 2006 by altering the funding formula for small school weights and by making it easier for small school districts to unify, which would qualify them for unification assistance.

Small School Weights

A.R.S. § 15-943, paragraph 1 qualifies a school district with fewer than 600 pupils in either Grades K-8 or 9-12 for a “small school weight” that gives it more Basic State Aid funding per pupil than “large” districts receive. Small elementary school districts that unify, however, usually lose their small school weights because their combined K-8 student count typically exceeds 600. The bill would address this issue by freezing at the “pre-unification” level the ratio between the “weighted” and “unweighted” student count of small elementary school districts. This would allow formerly-separate elementary school districts to keep their small school weights after they unify.

The JLBC Staff cannot predict the total number of elementary school districts that would unify under the bill, if any, because this would depend on decisions made by local school boards. Staff at the Antelope Union High School District, however, indicate that their district plans to unify with Hyder Elementary, Mohawk Valley Elementary and Wellton Elementary in FY 2006 if the bill becomes law. Based on a comparison of their small school weights for FY 2004 versus FY 2003, we estimate that their combined small school weight funding for FY 2006 would be about \$25,000 higher under HB 2635 than under current law. This is because their combined K-8 student count grew by 20 Average Daily Membership (ADM) pupils in FY 2003, which caused their combined small school weight to decrease slightly for FY 2004. (Under current law small school weights decrease gradually as a district grows and are based on their prior year ADM counts.) If the bill had been in effect for FY 2004, therefore, their combined small school weight would *not* have decreased and their small school weight funding would have been about \$25,000 higher for the year. Based on this observation, we estimate that Antelope Unified’s small school weight funding for FY 2006 would be \$25,000 higher under the bill than under current law.

Our “\$25,000 higher” estimate assumes that Hyder Elementary, Mohawk Valley Elementary and Wellton Elementary collectively would continue to grow in future years based on their current combined three-year enrollment trend. If they instead experienced enrollment declines, the bill would *reduce* their small school weight funding by disqualifying them from small school weight increases that would occur under current law.

Unification Assistance

A.R.S. § 15-912.01 currently provides “unification assistance” to school districts that newly unify. The amount of unification assistance funding equals 10% of a new district’s combined “Revenue Control Limit” (RCL) for in its first year of unification, 7% in “year 2” and 4% in “year 3.”

Based on their RCL funding for FY 2004 and assuming 3% annual growth thereafter, we estimate that unification assistance for “Antelope Unified” would cost about \$598,500 in FY 2006, \$431,500 in FY 2007 and \$254,000 in FY 2008 if the district unified in FY 2006. “Antelope Unified” is entitled to receive unification assistance under current law if it unifies, but is unlikely to unify apart from the bill because it would lose small school weight funding for Grades K-8. Small school weight funding for its high school students would not change under unification because the total number of high school students in the district would be unaffected.

To the extent that HB 2635 creates an incentive for Antelope Union’s unification, the bill would have the indirect impact of increasing unification assistance costs by \$598,500 in FY 2006, \$431,500 in FY 2007 and \$254,000 in FY 2008. These costs would be paid by the state General Fund because the bill would not change K-12 “local share” tax rates, so K-12 “local share” revenues would not be affected.

Other Issues

Our analysis assumes that the term “weighted student count” in the bill would be interpreted to include only the “Group A” portion of a school district’s weighted student count, which is the portion that includes the small school weight. It assumes that that portion of a school district’s grand total weighted student count that comes from special education and other “Group B” weights pursuant to A.R.S. § 15-943(2b) would not be affected. ADE concurs that this aspect of the bill is subject interpretation. The fiscal impact of the bill would be different if “Group B” weights also were affected.

Our analysis also assumes that the bill would be interpreted as applying only to school districts that unify in the future. The fiscal impact of the bill could be greater if applied both retrospectively and prospectively. ADE concurs that this aspect of the bill also is subject to interpretation.

Finally, our estimates assume that the only unified school district that would form under the bill in the next few years would be “Antelope Unified.” The fiscal impact of the bill would be different if other school districts also unified under it.

Local Government Impact

We estimate that funding to “Antelope Unified” would increase by \$623,500 in FY 2006, \$456,500 in FY 2007 and \$279,000 in FY 2008 under the bill. These amounts equal \$25,000 per year for “higher” small school weights plus the estimated unification assistance amount per year cited above. Local property tax collections in Antelope Unified and other school districts, however, would not change because K-12 “local share” tax rates would not be affected.

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